

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



GOVERNOR'S OFFICE OF HOMELAND SECURITY & EMERGENCY PREPAREDNESS

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BOBBY JINDAL
GOVERNOR



STEPHEN B. STREET, JR.
STATE INSPECTOR GENERAL

State of Louisiana
Office of the Governor

Office of State Inspector General

August 1, 2013

Honorable Bobby Jindal
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

Re: Case No. CID-13-010

Dear Governor Jindal:

This report addresses concerns raised about bagged ice that the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP) ordered and distributed following Hurricane Isaac, which made its landfall on August 28, 2012. This report includes four recommendations. These recommendations, which GOHSEP has already implemented as a result of our investigation, will serve to help prevent future excessive spending of state funds.

We provided drafts of the report to GOHSEP staff, Louisiana National Guard staff, and Pelican Ice. The response we received is included as Appendix A.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Stephen B. Street, Jr.", written over the typed name and title.

Stephen B. Street, Jr.
State Inspector General

SBS/jm

Enclosure

Executive Summary

The Louisiana Office of Inspector General received a complaint concerning several issues related to bagged ice that the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP) ordered and distributed following Hurricane Isaac, which made its landfall near the mouth of the Mississippi River on August 28, 2012. Our investigation revealed the following:

- GOHSEP issued purchase orders to Pelican Ice on August 29, 2012, August 30, 2012, and September 2, 2012. Each order requested 15,050,000 pounds of ice in ten pound bags for a total of 45,150,000 pounds. The amount actually purchased and delivered totaled 33,924,000 pounds. Pelican Ice invoiced GOHSEP \$17,407,633 for 773 ice deliveries, which includes invoices for 268,856 miles at \$4.00 per mile and 122,764 loitering hours at \$75 per hour. GOHSEP records show that only 6,248,000 pounds of ice, which cost \$2,392,714 to acquire and deliver, were distributed to the public. The remaining ice, which cost \$15,014,919 to acquire, deliver, and discard was either given away or allowed to melt. Hurricane Isaac was the second event in which GOHSEP was responsible for ordering and delivering bagged ice.
- When the demand for ice declined after the hurricane, GOHSEP still possessed large amounts of leftover ice. It attempted to return the ice to Pelican but was unable due to sanitation and storage space issues. GOHSEP paid Pelican Ice a \$315,000 "restocking charge" to take back the ice. Between September 6, 2012 and September 14, 2012, 347 truckloads of ice were delivered to an unrefrigerated warehouse in Lacombe, LA to be restocked. GOHSEP paid \$7,536,314 to purchase, transport, and unload the ice in the Lacombe warehouse, where it was allowed to melt. According to GOHSEP, restocking the ice was cheaper than paying for it to sit in refrigerated trucks indefinitely.
- After delivering as much leftover ice to other state agencies as possible, GOHSEP arranged for the delivery of 71 truckloads of ice to private restaurants, seafood suppliers, and ice suppliers. The cost of these deliveries amounted to \$2,425,804. An ice supplier given 490,000 pounds of ice, re-bagged and sold some of the ice that it received.
- GOHSEP informed us that the Louisiana National Guard (LANG) tracked ice inventory at Points of Distribution (POD) using its Point of Distribution Inventory System (PODIS). When we requested PODIS reports, LANG provided us with a single Power Point slide previously provided to the governor which claimed that 1,518,169 bags of ice were distributed to the public. Pelican Ice, however, invoiced GOHSEP for the delivery of only 142 truckloads, or 624,800 bags of ice to POD locations. Pelican Ice was the sole supplier of ice for Hurricane Isaac. Based on all associated ice costs, GOHSEP paid \$28 per bag of ice distributed from PODs.

Background

The Governor’s Office of Homeland Security and Emergency Preparedness is an agency within the Office of the Governor. GOHSEP was created to function as the state’s homeland security and emergency preparedness agency and to authorize the creation of local organizations for emergency preparedness in the political sub-divisions of the state.

GOHSEP is responsible for procuring various commodities that are distributed to the public following an emergency or natural disaster. The source of funding for the commodities distributed is broken down as follows:

1. The United States Federal Emergency Management Agency (FEMA) can reimburse the state for 75% of the cost of the commodities, which includes ice.
2. The State of Louisiana, through GOHSEP, pays for the remaining 25% of the cost of the commodities.

Scope and Methodology

We conducted our audit in accordance with Principles and Standards for Offices of Inspector General as promulgated by the Association of Inspectors General.

This audit included interviews of current and former GOHSEP employees, members of the Louisiana National Guard, vendors contracted with the State of Louisiana, and private businesses that received excess commodities. We also reviewed and analyzed documents obtained from GOHSEP and LANG.

Hurricane Isaac Ice Orders and Deliveries

On August 28, 2012, Hurricane Isaac made landfall near the mouth of the Mississippi River. As the storm passed over Louisiana, personnel from the affected parishes began entering their requests for assistance into GOHSEP's web-based emergency operations center (WebEOC). The parishes used this system to request Points of Distribution (PODs) where commodities would be distributed to its citizens.

GOHSEP's Unified Logistics Element (ULE) team was responsible for assessing the impact of Hurricane Isaac and the need for resources to respond to the emergency. The team pre-determined the amounts of each commodity that would be distributed through the PODs based on the parishes' requests. Meals Ready to Eat, bottled water, tarpaulins, and bagged ice were distributed from the PODs.

According to LANG officers, Hurricane Isaac was the second event in which GOHSEP was responsible for ordering and delivering its own bagged ice. Prior to that, FEMA oversaw the ordering and delivery of ice during declared disasters. GOHSEP selected Pelican Ice from its list of approved vendors to be the exclusive provider of ice after Hurricane Isaac. Pelican supplied ice at \$0.21 per pound. The Pelican contract also set mileage reimbursement at \$4.00 per mile and established a loitering fee of \$75.00 per hour, which compensated drivers waiting to load or unload their trucks beyond a four hour delay.

GOHSEP issued purchase orders to Pelican Ice on August 29, 2012, August 30, 2012, and September 2, 2012, with each order requesting 15,050,000 pounds of ice delivered in ten pound bags. The total amount of ice requested through the three purchase orders was 45,150,000 pounds.

As the requests for PODs came in through the WebEOC, GOHSEP forwarded these requests to LANG. LANG was responsible for setting up and breaking down POD sites, as well as overseeing the distribution of supplies from the PODs. For Hurricane Isaac, LANG received requests from twelve parishes to open forty PODs. The first POD was requested on August 29, 2012 and the last was closed on September 12, 2012.

The ice was delivered via refrigerated semi-truck and each invoice represented one truck's ice delivery, including mileage and loitering time. Each truck contained 4,400 bags of ice. Pelican Ice invoiced GOHSEP for a total of 773 deliveries. Based on records provided by GOHSEP, it paid \$17,407,633 for the delivery of 33,924,000 pounds of ice. The costs associated with that amount include the following:

- 33,924,000 pounds of ice = \$7,124,040
- 268,856 miles = \$1,075,901
- 122,764 hours of loitering = \$9,207,692.

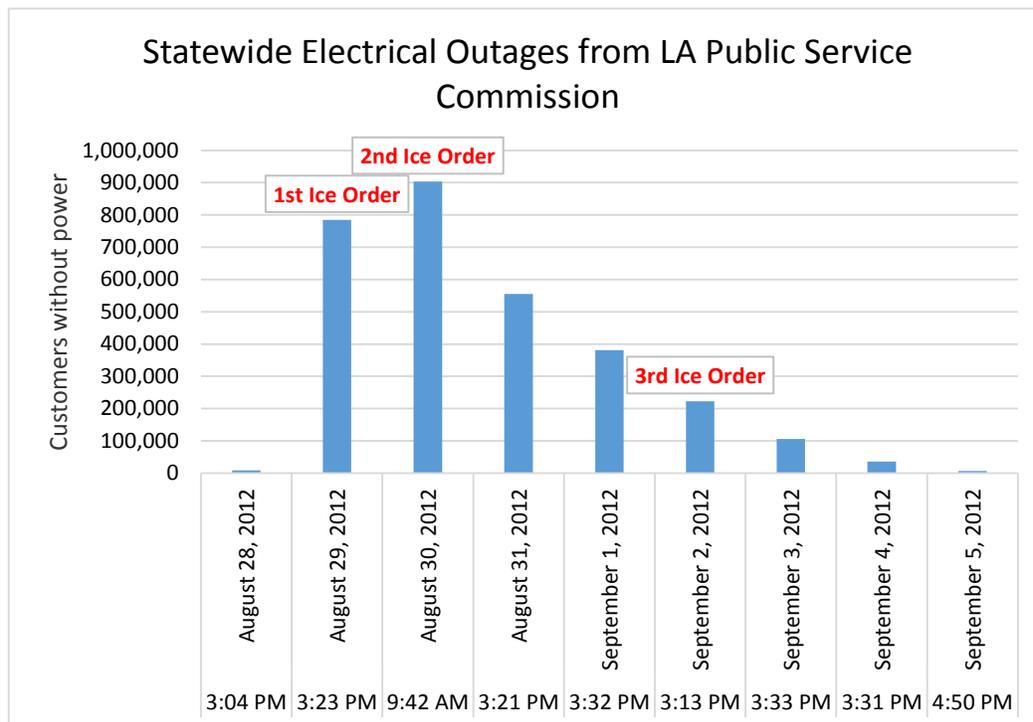
GOHSEP’s documentation, which included property transfer sheets and driver logs, showed that two trucks billed for mileage and loitering costs only and the other 771 trucks delivered ice to the locations listed below:

- 347 truckloads to an unrefrigerated warehouse in Lacombe, LA
- 191 truckloads to the LA State Penitentiary and other prisons in the state
- 142 truckloads to POD locations
- 71 truckloads to restaurants, seafood suppliers, and ice companies
- 11 truckloads to Camp Beauregard in Pineville, LA
- 9 truckloads to the LA Department of Agriculture & Forestry.

The Louisiana Department of Children and Family Services operated Disaster Supplemental Nutrition Assistance Program (DSNAP) sites between September 5, 2012 and September 28, 2012. Pelican Ice invoiced GOHSEP \$8,909 for mileage and \$163,800 for loitering time for trucks used at DSNAP locations post Hurricane Isaac. The invoices included no ice charges.

According to GOHSEP employees, ice was ordered based on the estimated number of PODs that would be opened after the storm and the projection that the storm’s slow movement would result in heavy rainfall. Once the PODs were opened, LANG provided GOHSEP with the “burn” rates for the ice, which is the number of ice bags distributed from the PODs. The ULE team used LANG’s reported burn rates to determine the amount of additional ice to order.

By August 31, 2012, Hurricane Isaac had weakened into a tropical depression after crossing into southern Arkansas. GOHSEP placed the final ice order on September 2, 2012 because Jefferson and Orleans parishes had not evacuated and more people were expected to consume commodities from the PODs if the power remained out for an extended amount of time.



Tracking and Reporting by LA National Guard

The Louisiana National Guard was responsible for tracking and directing the ice trucks after Hurricane Isaac. Pelican Ice's invoices contained a log which began when the drivers picked up ice and concluded with their final delivery. Each log revealed all the locations where the drivers traveled and loitered. The invoices showed instances in which trucks were sent to multiple locations only to return to where they started without making a delivery. In addition, 16 trucks loitered for between 16 days (348 hours) and 32 days (768 hours).

LANG staff stated that there was difficulty in tracking the trucks because a Regional Staging Area (RSA) was not set up. An RSA is a centralized location to temporarily store commodities before distribution to PODs. According to LANG, a location in Baton Rouge was used until truck capacity was reached. Other temporary locations were in Hammond, Camp Beauregard in Pineville, and the Lamar Dixon Center in Gonzales. The Ascension Parish Sheriff's Office asked LANG to abandon the Lamar Dixon site because of the traffic congestion it caused in the surrounding area. Trucks were then moved back to Hammond, Camp Beauregard, Baton Rouge, and any other place they could find to park. This added to GOHSEP's mileage and loitering costs. Plans have since been made to establish RSAs in Tangipahoa and Calcasieu Parishes.

GOHSEP informed us that LANG tracked inventory at PODs using its Point of Distribution Inventory System. When we requested PODIS reports, LANG provided us with a single Power Point slide which displayed the amount of ice that they claim was distributed from POD locations. According to the slide, which was also supplied to the governor, 1,518,169 bags of ice were distributed through PODs to the public. Records provided by GOHSEP indicate that 142 trucks delivered a maximum of only 624,800 bags to POD locations. Based on GOHSEP's records of the total costs incurred for ice and the amount of ice dispensed from PODs, GOHSEP paid \$28 per bag of ice distributed to the public from PODs after Hurricane Isaac.

We also requested supporting documentation from LANG for the 1,518,169 bags of ice but were told that the PODIS system does not contain historical data; therefore, supporting documentation was not available. Although LANG officers provided no further supporting documentation, they maintained that the amount of ice they reported as being distributed was accurate.

Lacombe Warehouse

When the demand for ice declined after the hurricane, GOHSEP contacted different public and private agencies to take the leftover ice. GOHSEP also attempted to return the excess to Pelican Ice. GOHSEP stated that Pelican Ice refused to accept the ice because of sanitation concerns, although the ice could still be distributed to the public. Pelican Ice also stated that it had no place to store such a large amount of extra ice.

On September 5, 2012, GOHSEP entered into an agreement with Pelican Ice to restock the leftover ice. Pelican Ice subcontracted with Baron Property Management and Leasing, LLC to manage the leftover ice. Ice trucks began arriving at the warehouse within an hour of the contract's execution. The ice was unloaded from the trucks into a 90,000 square foot, unrefrigerated warehouse in Lacombe, LA.

The terms of the agreement called for GOHSEP to pay Pelican Ice a "restocking charge" of \$315,000 to return the ice originally sold to GOHSEP. GOHSEP stated that paying Pelican to restock the ice was the cheaper alternative to paying loitering charges of \$1,800 per day per truck. 347 truckloads of ice were delivered to the Lacombe warehouse between September 6, 2012 and September 14, 2012.

The total cost of \$7,536,314 associated with acquiring, delivering, and storing ice at the Lacombe warehouse consists of the following:

- Ice costs = \$3,206,280
- Mileage costs = \$416,114
- Loitering costs = \$3,598,920
- "Restocking" = \$315,000.

On October 16, 2012, we visited the warehouse in Lacombe and noticed water leaking from the exterior walls of the building. Pelican Ice employees inside the warehouse were using forklifts to move the bags of ice to help them melt quicker. A Pelican Ice employee informed us that the ice was brought there to melt because there was no other place to put it. He stated that Pelican employees had been working to melt the ice in the warehouse for about a month. We were also told that once the ice was completely melted, the bags would be recycled.

Photographs of the Lacombe warehouse on October 16, 2012



Donations of Extra Ice

When the need for emergency ice diminished with Hurricane Isaac's departure from the state, GOHSEP provided 71 truckloads of ice at no cost to ice companies, private seafood businesses, and private restaurants. GOHSEP authorized these businesses to use the ice in any way they so wished. At least one ice company re-bagged the ice and sold it under its own name.

The total costs of ice ultimately given to private businesses consisted of the following:

- Ice costs = \$656,040
- Mileage costs = \$148,265
- Loitering costs = \$1,621,499
- Total = \$2,425,804

The 71 ice deliveries made to restaurants, seafood suppliers, and ice suppliers may have violated Louisiana State Constitution Article 7 Section 14A, which states, "The funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

Ben Plaia, GOHSEP's legal counsel, stated that GOHSEP was able to give the ice away without violating Article 7 Section 14A because the ice had "no value."

Diesel Paid for Ice Trucks

Despite paying \$4.00 per mile and a \$75.00 per hour loitering charge, GOHSEP also paid \$238,819 to refuel loitering ice trucks. GOHSEP's contract with Pelican Ice stated that Pelican "will be responsible for full fuel tank for self-contained powered reefer units upon initial setup on site." Because the contract only mentioned a full fuel tank upon initial setup, Pelican Ice offered GOHSEP two refueling options:

1) The trucks low on fuel could return to Pelican Ice for refueling, but additional mileage and loitering costs would occur.

2) Pelican Ice could special order fuel to be delivered to the trucks and charge GOHSEP \$3,000 for the delivery plus \$4.00 per gallon of diesel for up to 40 ice trucks.

GOHSEP chose a different option and used MACRO Oil Co., Inc. through MACRO's contract with the Louisiana Department of Agriculture and Forestry. MACRO refueled the trucks and billed the Department of Agriculture and Forestry, which then billed GOHSEP.

Recommendations

1. During Hurricane Isaac, neither GOHSEP nor LANG had an inventory tracking system sufficient to accurately record the daily consumption of ice. Such a system should be implemented to ensure that the essential amounts of commodities are on hand or on order.
2. We found that LANG could not provide supporting documentation to show the amounts of ice consumed and requested during the hurricane. An inventory tracking system should include a feature that reliably memorializes the amount of commodities requested by each parish and the quantities ordered and delivered to fulfill those requests.
3. GOHSEP expended \$7,536,314 to acquire, transport, and restock ice that was allowed to melt in an unrefrigerated warehouse. To prevent such unnecessary expenditures of public funds in the future, GOHSEP should include a provision in its ice contracts for excess ice to be returned to the distributor along with a refund of the value of the returned product.
4. GOHSEP paid \$238,819 to purchase fuel for refrigerated trucks that it was already paying \$1,800 per day to loiter. Future delivery contracts should be written to ensure that trucks receiving loitering and mileage payments be required to provide their own fuel. In the event that the trucks cannot leave their assigned location, arrangements should be made for fuel to be delivered to the trucks at their own expense.

APPENDIX A

Responses



BOBBY JINDAL
GOVERNOR

State of Louisiana
Governor's Office of Homeland Security
and
Emergency Preparedness

KEVIN DAVIS
DIRECTOR

July 24, 2013

Stephen Street
Inspector General
Office of State Inspector General
P.O. Box 94095
Baton Rouge, LA 70809-9095

RE: Case No. CI-13-010

Dear Mr. Street:

Both the Louisiana National Guard (LANG) and the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) have reviewed your draft investigative report dated July 15, 2013 regarding issues related to bagged ice purchases ordered and distributed following Hurricane Isaac.

As indicated, we have reviewed the report and concur with all findings and recommendations. This response to your report is jointly prepared by LANG and GOHSEP. Corrective action responses are noted below each recommendation.

Recommendation #1:

During Hurricane Isaac, neither GOHSEP nor LANG had an inventory tracking system sufficient to accurately record the daily consumption of ice. Such a system should be implemented to ensure that the essential amounts of commodities are on hand or on order.

Corrective Action Response:

LANG has re-engineered PODIS (Point of Distribution Inventory System) to a full spectrum inventory system for commodities. LANG implemented the new version of PODIS in June 2013. PODIS now has the capability to plan and track shipments of commodities from acquisition through distribution to the end user.

Recommendation #2:

We found that LANG could not provide supporting documentation to show the amount of ice consumed and requested during the hurricane. An inventory tracking system should include a feature that reliably memorialized the amount of commodities requested by each parish and the quantities ordered and delivered to fulfill those requests.

Corrective Action Response:

The new documentation feature of PODIS allows for archiving of Bills of Lading, inventories, shipments, and transactional records. Although not the system of record for accounts payable, PODIS is now capable of providing a higher granularity of historical information after a commodities distribution event.

Recommendation #3:

GOHSEP expended \$7,536,314 to acquire, transport, and restock ice that was allowed to melt in an unrefrigerated warehouse. To prevent such unnecessary expenditures of public funds in the future, GOHSEP should include a provision in its ice contracts for excess ice to be returned to the distributor along with a refund of the value of the returned product.

Corrective Action Response:

GOHSEP through the Office of State Purchasing assisted in preparing specifications for an emergency contract for the solicitation of cubed and bagged ice and refrigerated trucks in May 2013. The State awarded the new contract to three contractors. The new state contract includes a provision to return the unused ice to the vendor from the refrigerated trailers in which the doors to the trailer have not been opened.

Recommendation #4:

GOHSEP paid \$238,819 to purchase fuel for refrigerated trucks that it was already paying \$1,800 per day to loiter. Future delivery contracts should be written to ensure that trucks receiving loitering and mileage payments be required to provide their own fuel. In the event that the trucks cannot leave their assigned location, arrangements should be made for fuel to be delivered to the trucks at their own expense.

Corrective Action Response:

GOHSEP through the Office of State Purchasing assisted in preparing specifications for an emergency contract for the solicitation of cubed and bagged ice and refrigerated trucks in May 2013. The State awarded the new contract to three contractors. The new State contract requires the contractors to be responsible for ensuring a full fuel tank for the self-contained powered refrigerated units upon initial setup on site. The state will be required to refuel the refrigerated trailers during the rental period if their trucks are held by the State in a staging area.

We appreciate the efforts of your staff in preparing this report and if there is further assistance we can provide, please feel free to contact either Major General Glenn Curtis, The Adjutant General or me directly.

Sincerely,



Kevin Davis
Director,
Governor's Office of Homeland Security
and Emergency Preparedness



Glenn H. Curtis
Major General, Louisiana Army National Guard
The Adjutant General

Eleven copies of this public document were published in this first printing at a cost of \$58.23. The total cost of all printings of this document, including reprints is \$58.23. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

A copy of this report has been made available for public inspection at the Office of State Inspector General and is posted on the Office of State Inspector General's website at www.oig.louisiana.gov. Reference should be made to Case No. 13-010. If you need any assistance relative to this report, please contact Stephen B. Street, Jr., State Inspector General at (225) 342-4262.

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